

2013 DRAFTING REQUEST

Bill

Received:	1/7/2014	Received By:	mshovers
Wanted:	As time permits	Same as LRB:	
For:	Chris Taylor 266-5342	By/Representing:	patrick
May Contact:		Drafter:	mshovers
Subject:	Tax, Business - credits Tax, Business - crp inc, fran Tax, Individual - income credit Tax, Other - estate Tax, Individual - dedct/sbtrct	Addl. Drafters:	jkreye
		Extra Copies:	

Submit via email:	YES
Requester's email:	Rep.Taylor@legis.wisconsin.gov
Carbon copy (CC) to:	joseph.kreye@legis.wisconsin.gov marc.shovers@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Combined reporting, earned income and homestead tax credits, domestic production activities credit, capital gains, personal exemptions, repeal Act 20 individual income tax rates and brackets changes

Instructions:

See attached. Combine LRB -1745/2, combined reporting, earned income and homestead tax credits, domestic production activities credit, capital gains, and LRB -3422, repeal the changes made to the individual income tax rates and brackets in Act 20 and return to former law

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 1/7/2014	jdye 1/15/2014					

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	mshovers 2/21/2014		rschluet 1/15/2014	_____	mbarman 1/15/2014		State S&L Tax
/2		jdyer 2/24/2014	jfrantze 2/24/2014	_____	srose 2/24/2014	srose 2/26/2014	State S&L Tax

FE Sent For:

<END>

At
Intro.

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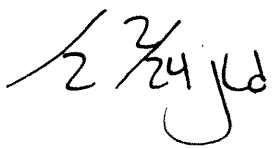
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/?	mshovers 1/7/2014	jdye 1/15/2014	jd				
							

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/1			rschluet	_____	mbarman		State
			1/15/2014	_____	1/15/2014		S&L

Tax

12 MFS 2/21/14

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1/?	mshovers	1/14/14	jd	9			
1/1 NES	1/7/14			11/5/14	JF		

FE Sent For:

<END>



State of Wisconsin
2013 - 2014 LEGISLATURE

3911/1



LRB-1745/2

MES8 JK&MS

RMNR

jd + sac

2013 BILL

Fixed request sheet

X

repeal

1 AN ACT *to repeal* 71.05 (6) (a) 25., 71.07 (5n), 71.07 (9e) (aj), 71.10 (4) (cr), 71.21
2 (4) (b), 71.255 (6) (bm), 71.26 (2) (a) 11., 71.26 (4) (b), 71.28 (5n), 71.30 (3) (dn),
3 71.34 (1k) (m), 71.45 (4) (b), 71.54 (1) (g) and 71.54 (2) (b) 4.; *to renumber and*
4 *amend* 71.26 (4) (a) and 71.45 (4) (a); *to amend* 71.01 (14), 71.03 (2) (a) 1., 71.05
5 (6) (b) 9., 71.05 (6) (b) 9m., 71.05 (6) (b) 25., 71.05 (6) (b) 47. b., 71.05 (6) (b) 47.
6 c., 71.05 (8) (b), 71.05 (23) (b) 1., 71.05 (25) (b) (intro.), 71.06 (1p) (e), 71.06 (2)
7 (g) 5., 71.06 (2) (h) 5., 71.06 (2e) (b), 71.07 (9e) (af) (intro.), 71.09 (11) (f), 71.255
8 (2m) (d), 71.255 (6) (a), 71.36 (1m) (a), 71.54 (1) (f) (intro.), 71.54 (2) (b) 3. and
9 71.54 (2m); and *to create* 71.05 (23) (be), 71.06 (1p) (f), 71.06 (2) (g) 6. and 71.06
10 (2) (h) 6. of the statutes; **relating to:** disregarding a taxpayer's election to
11 include another in its combined group, disallowing certain carry-forward
12 amounts for combined reporting purposes, repealing the income and franchise
13 tax credit for qualified production activities income, repealing the changes
14 made to the earned income tax credit in 2011 Wisconsin Act 32, increasing the

INS 1-10

BILL

1 personal exemption for certain individuals, restoring indexing provisions to the
2 homestead tax credit, ^{and} eliminating the individual income tax exclusion for
3 long-term capital gains other than for farm assets, ^{and creating a new}
4 ~~individual income tax upper bracket.~~

Analysis by the Legislative Reference Bureau***Combined reporting***

Under current law, a taxpayer may elect to include in its combined group, for income and franchise tax reporting purposes, every corporation in its commonly controlled group, regardless of whether such corporations are engaged in the same unitary business of the taxpayer. Under current law, the Department of Revenue (DOR) may not disallow such an election, or disregard its effect. Under this bill, if DOR determines that such an election has the effect of tax avoidance, DOR must disregard the election's tax effect or disallow the election.

Under current law, for each taxable year that a corporation that is a member of a combined group has net business loss carry-forward from a taxable year beginning before January 1, 2009, the corporation may, for 20 taxable years, use up to 5 percent of the net business loss carry-forward to offset the income of all other members of the combined group. The bill eliminates this provision.

Qualified production activities income credit

Under the federal Internal Revenue Code, a taxpayer may claim a deduction equal to 9 percent of the taxpayer's qualified production activities income in the taxable year or 9 percent of the taxpayer's total taxable income, whichever is less. For federal tax purposes, qualified production activities income is, generally, the amount of the taxpayer's domestic production gross receipts that exceed the sum of the cost of goods sold and other expenses, losses, or deductions. Domestic production gross receipts are, generally, gross receipts derived from property that was manufactured, produced, grown, or extracted in the United States.

Under current law, an individual taxpayer may claim a state income tax credit equal to the taxpayer's qualified production activities income derived from manufacturing property and agricultural property, multiplied by a certain percentage. A corporation or insurer may claim a state income and franchise tax credit equal to the lesser of its taxable income apportioned to this state or its qualified production activities income derived from manufacturing property or agricultural property located in this state, multiplied by a certain percentage. The percentage of qualified production activities income that a taxpayer may claim as a credit is 1.875 percent for 2013, 3.75 percent for 2014, 5.526 percent for 2015, and 7.5 percent for 2016 and for each year thereafter.

The bill eliminates the tax credit for qualified production activities income.

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Upper income tax bracket

~~Under current law, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.6 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.5 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket, which was created in the 2009-11 biennial budget act, 2009 Wisconsin Act 28, is 7.75 percent.~~

~~For taxable year 2011, the highest bracket applies to taxable income exceeding \$224,210 for single individuals, certain fiduciaries, and heads of households. For married persons, the highest current bracket applies to taxable income exceeding \$298,940 for joint filers and \$149,470 for separate filers.~~

For taxable year 2013 and thereafter, this bill creates a sixth bracket with a taxation rate of 8.75 percent. For single individuals, certain fiduciaries, and heads of households, this bracket applies to taxable income exceeding \$1,000,000. For married persons, this bracket applies to taxable income exceeding \$1,000,000 for joint filers and \$500,000 for separate filers. This bracket is indexed for inflation.

Personal exemptions

Under current law, an individual income tax personal exemption exists in the amount of \$700 for each taxpayer who is required to file an income tax return and \$700 for the taxpayer's spouse, except if the spouse is filing separately or as a head of household. A taxpayer may also claim a \$700 exemption for each dependent for whom he or she is entitled to claim an exemption under the Internal Revenue Code. In general, an additional exemption of \$250 may be claimed by a taxpayer, and spouse, who has reached the age of 65 before the close of the taxable year to which his or her tax return relates.

²⁰¹⁴ This bill increases the personal exemption amount for certain taxpayers starting with taxable year ~~2013~~. Under the bill, if a single individual has Wisconsin adjusted gross income (WAGI) of less than \$12,000, his or her personal exemption is \$4,310. The personal exemption amount for such an individual phases down to approximately \$700 as his or her WAGI increases from \$12,000 to the maximum income threshold of \$60,000. If such an individual's WAGI is more than the maximum income threshold, the individual calculates his or her exemption under current law.

Similarly under the bill, the personal exemption amount for a head of household, a married couple filing jointly, and a married individual filing separately are all increased to \$4,310 per person for those whose WAGI, or joint WAGI in the case of a married couple filing jointly, is less than \$14,000 (head of household), \$20,000 (married joint), or \$10,000 (married separate). The exemption amount phases down to approximately \$700 (\$1,400 for a married couple filing jointly) as WAGI increases to the maximum income threshold, which is \$70,000 (head of household), \$100,000 (married joint), or \$50,000 (married separate). If a taxpayer's WAGI is more than the maximum income threshold, the taxpayer calculates his or her, or the couple's, exemption under current law. The bill does not make any change

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to the current law exemption provisions for dependents or individuals who are age 65 or above.

Earned income tax credit

Under current law, as created in 2011 Wisconsin Act 32, the earned income tax credit (EITC) is reduced for claimants with two or more qualifying children. The bill repeals those provisions and restores former law. Under the bill, the EITC, as a percentage of the federal credit, would be 4 percent for claimants with one qualifying child, 14 percent for claimants with two qualifying children, and 43 percent for claimants with three or more qualifying children.

Homestead tax credit

Under current law, as created in 2011 Wisconsin Act 32, the homestead tax credit formula factors (maximum income, maximum property taxes, and income threshold) are not indexed for inflation after 2010. The bill repeals those provisions and restores former law. Under the bill, the homestead tax credit formula factors would be indexed for inflation for 2013 and beyond.

Exclusion of capital gains

Under current law, there is an income tax exclusion for individuals, fiduciaries, members of limited liability companies and partnerships, and shareholders of tax-option corporations for 30 percent of the net long-term capital gains realized from the sale of assets held more than one year and the sale of all assets acquired from a decedent, and an exclusion for 60 percent of such gains realized from the sale of farm assets held more than one year and the sale of all farm assets acquired from a decedent.

Under this bill, the exclusion of 30 percent of such net long-term capital gains, and all assets acquired from a decedent, does not apply to taxable years beginning after December 31, ~~2012~~ ²⁰¹³. The bill does not affect the exclusion of the gains realized from the sale of farm assets held more than one year and the sale of farm assets acquired from a decedent.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (14) of the statutes is amended to read:

2 71.01 (14) "Wisconsin net operating loss" of persons other than corporations
3 means "federal net operating loss" adjusted as prescribed in s. 71.05 (6) (a) and (b),

BILL

(7) to (12) and (19) to (21), ~~except s. 71.05 (6) (b) 9.~~, except that no deductions allowable on schedule A for federal income tax purposes are allowable.

SECTION 2. 71.03 (2) (a) 1. of the statutes is amended to read:

71.03 (2) (a) 1. Every individual domiciled in this state during the entire taxable year who has a gross income at or above a threshold amount which shall be determined annually by the department of revenue. The threshold amounts shall be determined for categories of individuals based on filing status and age, and shall include categories for single individuals; individuals who file as a head of household; married couples who file jointly; and married persons who file separately. The threshold amounts shall also be determined by taking into account the exemption amounts in s. 71.05 (23) (b) 1. and 3. and (be). The department of revenue shall establish a threshold amount for each category of individual at an amount at which no individual in that category whose gross income is below that amount has a state income tax liability.

SECTION 3. 71.05 (6) (a) 25. [✓] of the statutes is repealed.

SECTION 4. 71.05 (6) (b) 9. of the statutes is amended to read:

71.05 (6) (b) 9. On assets held more than one year and on all assets acquired from a decedent, 30 percent of the capital gain as computed under the internal revenue code, not including capital gains for which the federal tax treatment is determined under section 406 of P.L. 99-514; not including amounts treated as ordinary income for federal income tax purposes because of the recapture of depreciation or any other reason; and not including amounts treated as capital gain for federal income tax purposes from the sale or exchange of a lottery prize. For purposes of this subdivision, the capital gains and capital losses for all assets shall

BILL

SECTION 4

1 be netted before application of the percentage. This subdivision[✓] does not apply to
(2) taxable years that begin after December 31, 2012[✓]. 2013

3 SECTION 5. 71.05 (6) (b) 9m. of the statutes is amended to read:

4 71.05 (6) (b) 9m. On farm assets held more than one year and on all farm assets
5 acquired from a decedent, to the extent that they are not subtracted under subd. 9.
6 or 10., 60 percent of the capital gain as computed under the Internal Revenue Code,
7 not including capital gains for which the federal tax treatment is determined under
8 section 406 of P.L. 99-514; not including amounts treated as ordinary income for
9 federal income tax purposes because of the recapture of depreciation or any other
10 reason; and not including amounts treated as capital gain for federal income tax
11 purposes from the sale or exchange of a lottery prize. In this subdivision, "farm
12 assets" means livestock, farm equipment, farm real property, and farm depreciable
13 property. For purposes of this subdivision, the capital gains and capital losses for all
14 assets shall be netted before application of the percentage.

15 SECTION 6. 71.05 (6) (b) 25. of the statutes is amended to read:

16 71.05 (6) (b) 25. All gains that are not excluded from taxation under subd. 9.,
17 ~~on business assets or 9m.~~ on assets used in farming, including shares in a corporation
18 or trust that meets the standards under s. 182.001 (1), or both, held more than one
19 year, that are sold or otherwise disposed of to persons who are related to the seller
20 or transferor by blood, marriage or adoption within the 3rd degree of kinship as
21 determined under s. 990.001 (16), as computed under the Internal Revenue Code, not
22 including amounts treated as ordinary income for federal income tax purposes
23 because of the recapture of depreciation or any other reason.

(24) SECTION 7. 71.05 (6) (b) 47. b. of the statutes[✓] is amended to read:

, as affected by 2013
Wisconsin Act 20,

plain →

BILL

and before January 1, 2014,

1 71.05 (6) (b) 47. b. With respect to partners and members of limited liability
2 companies, for taxable years beginning after December 31, 2010, for 2 consecutive
3 taxable years beginning with the taxable year in which the partnership's or limited
4 liability company's business locates to this state from another state or another
5 country and begins doing business in this state, as defined in s. 71.22 (1r), and subject
6 to the limitations provided under subd. 47. d. and e., the partner's or member's
7 distributive share of taxable income as calculated under section 703 of the Internal
8 Revenue Code; plus the items of income and gain under section 702 of the Internal
9 Revenue Code, including taxable state and municipal bond interest and excluding
10 nontaxable interest income or dividend income from federal government obligations;
11 minus the items of loss and deduction under section ~~756702~~ 702 of the Internal Revenue
12 Code, except items that are not deductible under s. 71.21; plus guaranteed payments
13 to partners under section 707 (c) of the Internal Revenue Code; plus the credits
14 claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy),
15 (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i),
16 (5j), (5k), (5r), (5rm), and (8r); and plus or minus, as appropriate, transitional
17 adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15),
18 (16), (17), and (19), multiplied by the apportionment fraction determined in s. 71.04
19 (4) and subject to s. 71.04 (7) or by separate accounting. No amounts subtracted
20 under this subd. 47. b. may be included in the modification under par. (b) 9. or 9m.

21 SECTION 8. 71.05 (6) (b) 47. c. of the statutes is amended to read: ^{as affected by 2013}
_{Wisconsin Act 20}

22 71.05 (6) (b) 47. c. With respect to shareholders of a tax-option corporation, for
23 taxable years beginning after December 31, 2010, for 2 consecutive taxable years
24 beginning with the taxable year in which the tax-option corporation's business
25 locates to this state from another state or another country and begins doing business

plain → and before January 1, 2014,

BILL

SECTION 8

in this state, as defined in s. 71.22 (1r), and subject to the limitations provided under subd. 47. d. and e., the shareholder's distributive share of the entity's net income or loss as determined under this chapter, including interest income from federal, state, and municipal government obligations, multiplied by the apportionment fraction determined in s. 71.25 (6m) and subject to s. 71.25 (9) or by separate accounting. No amounts subtracted under this subdivision may be included in the modification under par. (b) ~~9. or 9m.~~

Carried back against Wisconsin taxable income of the previous 2 years and then

SECTION 9. 71.05 (8) (b) of the statutes is amended to read:

71.05 (8) (b) A Wisconsin net operating loss may be carried forward against Wisconsin taxable incomes of the next ~~15~~ *or 20 years* taxable years, if the taxpayer was subject to taxation under this chapter in the taxable year in which the loss was sustained, to the extent not offset against other income of the year of loss and to the extent not offset against Wisconsin modified taxable income *of the 2 years preceding the loss and* of any year between the loss year and the taxable year for which the loss carry-forward is claimed. In this paragraph, "Wisconsin modified taxable income" means Wisconsin taxable income with the following exceptions: a net operating loss deduction or offset for the loss year or any taxable year *before or* thereafter is not allowed, the deduction for long-term capital gains under subs. (6) (b) ~~9. and 9m.~~ and (25) is not allowed, the amount deductible for losses from sales or exchanges of capital assets may not exceed the amount includable in income for gains from sales or exchanges of capital assets and "Wisconsin modified taxable income" may not be less than zero.

SECTION 10. 71.05 (23) (b) 1. of the statutes is amended to read:

71.05 (23) (b) 1. A personal exemption of \$700 if the taxpayer is required to file a return under s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer's spouse, except if the spouse is filing separately or as a head of household. The exemption under this

as affected by 2013 Wisconsin Act 20,

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1 subdivision may not be claimed by a taxpayer who is eligible for, and claims, the
2 exemption under par. (be).

3 **SECTION 11.** 71.05 (23) (be) of the statutes is created to read:

4 71.05 (23) (be) For taxable years beginning after December 31, ~~2002~~ ²⁰¹³, a personal
5 exemption calculated as follows if the taxpayer is required to file a return under s.
6 71.03 (2) (a) 1. or 2.:

7 1. For a single individual who has a Wisconsin adjusted gross income of less
8 than \$12,000, an exemption of \$4,310. For a single individual who has a Wisconsin
9 adjusted gross income of at least \$12,000, the exemption is the amount obtained by
10 subtracting from \$4,310 7.52 percent of Wisconsin adjusted gross income in excess
11 of \$12,000 but not less than \$0, except that if the single individual's Wisconsin
12 adjusted gross income is more than \$60,000, the individual may not claim the
13 exemption under this paragraph but the individual may claim the exemption under
14 par. (b).

15 2. For a head of household who has a Wisconsin adjusted gross income of less
16 than \$14,000, an exemption of \$4,310. For a head of household who has a Wisconsin
17 adjusted gross income of at least \$14,000, the exemption is the amount obtained by
18 subtracting from \$4,310 6.45 percent of Wisconsin adjusted gross income in excess
19 of \$14,000 but not less than \$0, except that if the head of household's Wisconsin
20 adjusted gross income is more than \$70,000, the individual may not claim the
21 exemption under this paragraph but the head of household may claim the exemption
22 under par. (b).

23 3. For a married couple filing jointly that has an aggregate Wisconsin adjusted
24 gross income of less than \$20,000, an exemption of \$4,310 for each spouse. For a
25 married couple filing jointly that has an aggregate Wisconsin adjusted gross income

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SECTION 11

of at least \$20,000, the exemption is the amount obtained by subtracting, for each spouse, from \$4,310 4.51 percent of aggregate Wisconsin adjusted gross income in excess of \$20,000 but not less than \$0, except that if the married couple's Wisconsin aggregate adjusted gross income is more than \$100,000, the couple may not claim the exemption under this paragraph but the married couple may claim the exemption under par. (b).

4. For a married individual filing separately who has a Wisconsin adjusted gross income of less than \$10,000, an exemption of \$4,310. For a married individual filing separately who has a Wisconsin adjusted gross income of at least \$10,000, the exemption is the amount obtained by subtracting from \$4,310 9.03 percent of Wisconsin adjusted gross income in excess of \$10,000 but not less than \$0, except that if the individual's Wisconsin adjusted gross income is more than \$50,000, the individual may not claim the exemption under this paragraph but the individual may claim the exemption under par. (b).

SECTION 12. 71.05 (25) (b) (intro.) of the statutes is amended to read:

71.05 (25) (b) (intro.) For taxable years beginning after December 31, 2015, for a Wisconsin capital asset that is purchased after December 31, 2010, and held for at least 5 years, a claimant may subtract from federal adjusted gross income the ~~lesser~~ ^{amount of the claimant's qualifying gain in the year to which the claim relates} of the following amounts, to the extent that it is not subtracted under sub. (6) (b) 9. or 9m. ^{delete}

SECTION 13. 71.06 (1p) (e) of the statutes is amended to read:

71.06 (1p) (e) On all taxable income exceeding \$225,000 but not exceeding \$1,000,000, 7.75 percent.

SECTION 14. 71.06 (1p) (f) of the statutes is created to read:

71.06 (1p) (f) On all taxable income exceeding \$1,000,000, 8.75 percent.

as affected by 2013 Wisconsin Act 20,

INS 10-20

INS 10-25

✓ an investment in a qualified Wisconsin business made plain

✓ amount of the claimant's qualifying gain in the year to which the claim relates plain

plain

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1 **SECTION 15.** 71.06 (2) (g) 5. of the statutes is amended to read:

2 71.06 (2) (g) 5. On all taxable income exceeding \$300,000 but not exceeding
3 \$1,000,000, 7.75 percent.

4 **SECTION 16.** 71.06 (2) (g) 6. of the statutes is created to read:

5 71.06 (2) (g) 6. On all taxable income exceeding \$1,000,000, 8.75 percent.

6 **SECTION 17.** 71.06 (2) (h) 5. of the statutes is amended to read:

7 71.06 (2) (h) 5. On all taxable income exceeding \$150,000 but not exceeding
8 \$500,000, 7.75 percent.

9 **SECTION 18.** 71.06 (2) (h) 6. of the statutes is created to read:

10 71.06 (2) (h) 6. On all taxable income exceeding \$500,000, 8.75 percent.

11 ~~**SECTION 19.** 71.06 (2e) (b) of the statutes is amended to read.~~

12 ~~71.06 (2e) (b) For taxable years beginning after December 31, 2009, the~~
13 ~~maximum dollar amount in each tax bracket, and the corresponding minimum dollar~~
14 ~~amount in the next bracket, under subs. (1p) (d) and (e) and (2) (g) 4. and 5. and (h)~~
15 ~~4. and 5., and the dollar amount in the top bracket under subs. (1p) (e) (f) and (2) (g)~~
16 ~~5. 6. and (h) 5. 6., shall be increased each year by a percentage equal to the percentage~~
17 ~~change between the U.S. consumer price index for all urban consumers, U.S. city~~
18 ~~average, for the month of August of the previous year and the U.S. consumer price~~
19 ~~index for all urban consumers, U.S. city average, for the month of August 2008, as~~
20 ~~determined by the federal department of labor, except that for taxable years~~
21 ~~beginning after December 31, 2011, the adjustment may occur only if the resulting~~
22 ~~amount is greater than the corresponding amount that was calculated for the~~
23 ~~previous year. Each amount that is revised under this paragraph shall be rounded~~
24 ~~to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the~~
25 ~~revised amount is a multiple of \$5, such an amount shall be increased to the next~~

INS
11-5

BILL

SECTION 19

1 ~~higher multiple of \$10. The department of revenue shall annually adjust the changes~~
2 ~~in dollar amounts required under this paragraph and incorporate the changes into~~
3 ~~the income tax forms and instructions.~~

4 SECTION 20. 71.07 (5n) of the statutes is repealed.

5 SECTION 21. 71.07 (9e) (af) (intro.) of the statutes is amended to read:

6 71.07 (9e) (af) (intro.) For taxable years beginning after December 31, 1995,
7 and before January 1, 2011, any natural person may credit against the tax imposed
8 under s. 71.02 an amount equal to one of the following percentages of the federal
9 basic earned income credit for which the person is eligible for the taxable year under
10 section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

11 SECTION 22. 71.07 (9e) (aj) of the statutes is repealed.

12 SECTION 23. 71.09 (11) (f) of the statutes is amended to read:

13 71.09 (11) (f) The taxpayer has underpaid the taxpayer's estimated taxes due
14 to the change in brackets under s. 71.06 (1p) (e) or (f) and (2) (g) 5. or 6. and (h) 5. or
15 6. This paragraph applies only in the first taxable year to which these bracket
16 changes apply.

17 SECTION 24. 71.10 (4) (cr) of the statutes is repealed.

18 SECTION 25. 71.21 (4) (b) of the statutes is repealed.

19 SECTION 26. 71.255 (2m) (d) of the statutes is amended to read:

20 71.255 (2m) (d) The department ~~may not~~ shall disregard the tax effect of an
21 election under this subsection, or disallow the election, with respect to any controlled
22 group member or members for any year of the election period, if the department
23 determines that the election has the effect of tax avoidance.

24 SECTION 27. 71.255 (6) (a) of the statutes is amended to read:

INS
12-3

as affected by 2013
Wisconsin Act 54,

INS
12-17

BILL

1 71.255 (6) (a) Except as provided in pars. (b), ~~(bm)~~, and (c) no tax credit,
2 Wisconsin net business loss carry-forward, or other post-apportionment deduction
3 earned by one member of the combined group, but not fully used by or allowed to that
4 member, may be used in whole or in part by another member of the combined group
5 or applied in whole or in part against the total income of the combined group. A
6 member of a combined group may use a carry-forward of a credit, Wisconsin net
7 business loss carry-forward, or other post-apportionment deduction otherwise
8 allowable under s. 71.26 or 71.45, that was incurred by that same member in a
9 taxable year beginning before January 1, 2009.

10 **SECTION 28.** 71.255 (6) (bm) of the statutes is repealed.

11 **SECTION 29.** 71.26 (2) (a) 11. of the statutes is repealed.

12 **SECTION 30.** 71.26 (4) (a) of the statutes is renumbered 71.26 (4) and amended
13 to read:

14 71.26 (4) ~~Except as provided in par. (b), a~~ A corporation, except a tax-option
15 corporation or an insurer to which s. 71.45 (4) applies, may offset against its
16 Wisconsin net business income any Wisconsin net business loss sustained in any of
17 the next 15 preceding taxable years, if the corporation was subject to taxation under
18 this chapter in the taxable year in which the loss was sustained, to the extent not
19 offset by other items of Wisconsin income in the loss year and by Wisconsin net
20 business income of any year between the loss year and the taxable year for which an
21 offset is claimed. For purposes of this subsection Wisconsin net business income or
22 loss shall consist of all the income attributable to the operation of a trade or business
23 in this state, less the business expenses allowed as deductions in computing net
24 income. The Wisconsin net business income or loss of corporations engaged in
25 business within and without the state shall be determined under s. 71.25 (6) and (10)

BILL**SECTION 30**

1 to (12). Nonapportionable losses having a Wisconsin situs under s. 71.25 (5) (b) shall
2 be included in Wisconsin net business loss; and nonapportionable income having a
3 Wisconsin situs under s. 71.25 (5) (b), whether taxable or exempt, shall be included
4 in other items of Wisconsin income and Wisconsin net business income for purposes
5 of this subsection.

6 **SECTION 31.** 71.26 (4) (b) of the statutes is repealed.

7 **SECTION 32.** 71.28 (5n) of the statutes is repealed.

8 **SECTION 33.** 71.30 (3) (dn) of the statutes is repealed.

9 **SECTION 34.** 71.34 (1k) (m) of the statutes is repealed.

10 **SECTION 35.** 71.36 (1m) (a) of the statutes is amended to read:

11 71.36 (1m) (a) A tax-option corporation may deduct from its net income all
12 amounts included in the Wisconsin adjusted gross income of its shareholders, the
13 ~~capital gain deduction under s. 71.05 (6) (b) 9.~~ and all amounts not taxable to
14 nonresident shareholders under ss. 71.04 (1) and (4) to (9) and 71.362.

15 **SECTION 36.** 71.45 (4) (a) of the statutes is renumbered 71.45 (4) and amended
16 to read:

17 71.45 (4) ~~Except as provided in par. (b), insurers~~ Insurers computing tax under
18 this subchapter may subtract from Wisconsin net income any Wisconsin net business
19 loss sustained in any of the next 15 preceding taxable years to the extent not offset
20 by Wisconsin net business income of any year between the loss year and the taxable
21 year for which an offset is claimed and computed without regard to sub. (2) (a) 8. and
22 9. and this subsection and limited to the amount of net income, but no loss incurred
23 for a taxable year before taxable year 1987 by a nonprofit service plan of sickness care
24 under ch. 148, or dental care under s. 447.13 may be treated as a net business loss

BILL

1 of the successor service insurer under ch. 613 operating by virtue of s. 148.03 or
2 447.13.

3 **SECTION 37.** 71.45 (4) (b) of the statutes is repealed.

4 **SECTION 38.** 71.54 (1) (f) (intro.) of the statutes is amended to read:

5 71.54 (1) (f) 2001 to 2011 and thereafter (intro.) Subject to sub. (2m), the
6 amount of any claim filed in 2001 to 2011 and thereafter and based on property taxes
7 accrued or rent constituting property taxes accrued during the previous year is
8 limited as follows:

9 **SECTION 39.** 71.54 (1) (g) of the statutes is repealed.

10 **SECTION 40.** 71.54 (2) (b) 3. of the statutes is amended to read:

11 71.54 (2) (b) 3. Subject to sub. (2m), in calendar years 1990 to 2010 year 1990
12 or any subsequent calendar year, \$1,450.

13 **SECTION 41.** 71.54 (2) (b) 4. of the statutes is repealed.

14 **SECTION 42.** 71.54 (2m) of the statutes is amended to read:

15 71.54 (2m) INDEXING FOR INFLATION; 2010 AND THEREAFTER. (a) For calendar years
16 beginning after December 31, 2009, and before January 1, 2011, the dollar amounts
17 of the threshold income under sub. (1) (f) 1. and 2., the maximum household income
18 under sub. (1) (f) 3. and the maximum property taxes under sub. (2) (b) 3. shall be
19 increased each year by a percentage equal to the percentage change between the U.S.
20 consumer price index for all urban consumers, U.S. city average, for the 12-month
21 average of the U.S. consumer price index for the month of August of the year before
22 the previous year through the month of July of the previous year and the U.S.
23 consumer price index for all urban consumers, U.S. city average, for the 12-month
24 average of the U.S. consumer price index for August 2007 through July 2008, as
25 determined by the federal department of labor, except that the adjustment may occur

BILL**SECTION 42**

only if the percentage is a positive number. Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions.

(b) The department of revenue shall annually adjust the slope under sub. (1) (f) 2. such that, as a claimant's income increases from the threshold income as calculated under par. (a), to an amount that exceeds the maximum household income as calculated under par. (a), the credit that may be claimed is reduced to \$0 and the department of revenue shall incorporate the changes into the income tax forms and instructions.

SECTION 43. Initial applicability.

(1) The treatment of section 71.255 (2m) (d) of the statutes first applies retroactively to taxable years beginning on January 1, 2009.

(2) The treatment of sections 71.01 (14), 71.05 (6) (a) 25. and (b) 9m., 25., and 47. b. and c., (8) (b), and (25) (b) (intro.), ~~71.06 (1p) (e) and (f) and (2) (g) 5. and 6. and 71.05 and 71.07 (5n), 71.09 (11) (f), 71.10 (4) (cr), 71.21 (4) (b), 71.26 (2) (a) 11., 71.28 (5n), 71.30 (3) (dn), 71.34 (1k) (m), and 71.36 (1m) (a) of the statutes first applies to taxable years beginning on January 1, 2014.~~

SECTION 44. Effective dates. This act takes effect on the day after publication, except as follows:

(1) The treatment of section 71.255 (2m) (d) of the statutes and SECTION 43 (1) of this act take effect retroactively to January 1, 2009.

(#) The treatment of section 71.06 (1p) (e), and (f), (2) (g) 5. and 6., (h) 5. and 6., (i), and (j), (2e) (a) and (b) of the statutes first applies retroactively to taxable years beginning on January 1, 2013.



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-3422/1
MES:sac:rs

Inserts

2013 BILL

FNS 1-10

1 AN ACT to repeal 71.06 (1q), 71.06 (2) (i) and 71.06 (2) (j); and to amend 71.06
2 (1p) (intro.), 71.06 (2) (g) (intro.), 71.06 (2) (h) (intro.), 71.06 (2e) (a), 71.06 (2e)
3 (b), 71.06 (2m), 71.06 (2s) (d), 71.125 (1), 71.125 (2), 71.17 (6), 71.64 (9) (b)
4 (intro.), 71.67 (5) (a) and 71.67 (5m) of the statutes, relating to increasing the
5 individual income tax rates and expanding the number of brackets to what
6 existed before the enactment of 2013 Wisconsin Act 20, creating a new
individual income tax upper bracket,

Analysis by the Legislative Reference Bureau

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.40 percent of taxable income; the rate for the second bracket is 5.84 percent; the rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from \$0 to \$7,500; taxable income exceeding \$7,500 but not exceeding \$15,000; taxable income exceeding \$15,000 but not exceeding \$225,000; and taxable income exceeding \$225,000.

This rate and bracket structure first applies to taxable year 2013, and was enacted in 2013 Wisconsin Act 20, the state budget bill.

Changes to rates and brackets

subsubhead

BILL

retroactively to taxable year 2013

This bill repeals the changes made to the rates and brackets in 2013 Wisconsin Act 20 and, for taxable years 2013 and thereafter, restores the rates and brackets that existed before the budget bill was enacted. Under the former law, which will take effect once the bill is enacted, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under former law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.60 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.50 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent.

With regard to taxable year 2012, before indexing for inflation for 2013, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660. *(end ins ANL)*

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

INS 10-29

SECTION ~~11~~ 71.06 (1p) (intro.) *✓* of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

2
3 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~2001 TO~~
4 ~~2012~~ AFTER 2000. (intro.) The tax to be assessed, levied and collected upon the taxable
5 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
6 reserve funds, and single individuals and heads of households shall be computed at
7 the following rates for taxable years beginning after December 31, 2000, ~~and before~~
8 January 1, 2013:

INS 10-25

9 SECTION ~~11~~ 71.06 (1q) of the statutes, as created by 2013 Wisconsin Act 20, is
10 repealed.

P. 10-25

11 SECTION ~~11~~ 71.06 (2) (g) (intro.) *✓* of the statutes, as affected by 2013 Wisconsin
12 Act 20, is amended to read:

BILL

INS 10-25, Long 1
71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after December 31, 2000, and before January 1, 2013: (end ins 10-25)

INS 11-5
SECTION 71.06 (2) (h) (intro.) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.06 (2) (h) (intro.) For married persons filing separately, for taxable years beginning after December 31, 2000, and before January 1, 2013:

INS 12-3 P. 1 of 3
SECTION 71.06 (2) (i) of the statutes, as created by 2013 Wisconsin Act 20, is repealed.

SECTION 71.06 (2) (j) of the statutes, as created by 2013 Wisconsin Act 20, is repealed.

SECTION 71.06 (2e) (a) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before January 1, 2000, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2) (c) and (d), and for taxable years beginning after December 31, 1999, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1n), (1p) (a) to (c), (1q) (a) and (b), and (2) (e), (f), (g) 1. to 3., and (h) 1. to 3., (i) 1. and 2., and (j) 1. and 2., shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 1997, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2000, and before January 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.

BILL

and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 1999, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2011, the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year.

SECTION ~~7~~ 71.06 (2e) (b) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.06 (2e) (b) For taxable years beginning after December 31, 2009, the maximum dollar amount in each tax bracket, and the corresponding minimum dollar amount in the next bracket, under subs. (1p) (d), ~~(1q) (e)~~, ^{and (e)} and (2) (g) 4., ^{and 5.} and (h) 4., ⁽ⁱ⁾ 3., and ^{and 5.} (j) 3., and the dollar amount in the top bracket under subs. (1p) ^(d) ~~(e)~~, ^(f) (1q) (d), ^{6.} and (2) (g) ^{5.} ~~5.~~, ^{6.} and (h) ^{5.} ~~5.~~, ^{plain} (i) 4., and (j) 4., shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 2008, as determined by the federal department of labor, except that for taxable years beginning after December 31, 2011, the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year.

SECTION ~~7~~ 71.06 (2m) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

BILL

INS
12-33
P.3083

1 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), (1q), or (2)
2 changes during a taxable year, the taxpayer shall compute the tax for that taxable
3 year by the methods applicable to the federal income tax under section 15 of the
4 Internal Revenue Code.

5 ~~SECTION 10.~~ 71.06 (2s) (d) of the statutes, as affected by 2013 Wisconsin Act 20,
6 is amended to read:

7 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
8 respect to nonresident individuals, including individuals changing their domicile
9 into or from this state, the tax brackets under subs. (1p), (1q), and (2) (g), and (h), (i),
10 and (j) shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted
11 gross income and the denominator of which is federal adjusted gross income. In this
12 paragraph, for married persons filing separately "adjusted gross income" means the
13 separate adjusted gross income of each spouse, and for married persons filing jointly
14 "adjusted gross income" means the total adjusted gross income of both spouses. If
15 an individual and that individual's spouse are not both domiciled in this state during
16 the entire taxable year, the tax brackets under subs. (1p), (1q), and (2) (g), and (h),
17 (i), and (j) on a joint return shall be multiplied by a fraction, the numerator of which
18 is their joint Wisconsin adjusted gross income and the denominator of which is their
19 joint federal adjusted gross income.

2nd
INS
12-33

20 ~~SECTION 11.~~ 71.125 (1) of the statutes, as affected by 2013 Wisconsin Act 20,
21 is amended to read:

22 71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on
23 individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), (1q), and (2) shall apply
24 to the Wisconsin taxable income of estates or trusts, except nuclear decommissioning
25 trust or reserve funds, and that tax shall be paid by the fiduciary.

INS
12-17
P.1042

BILL

INS 12-17
P. 2008

SECTION 12. 71.125 (2) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1) of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1), (1m), (1n), or (1p), ~~or (1q)~~,[✓] whichever taxable year is applicable, on its income as computed under section 641 of the Internal Revenue Code, as modified by s. 71.05 (6) to (12), (19) and (20).

SECTION 13. 71.17 (6) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under section 685 of the Internal Revenue Code for federal income tax purposes, that election applies for purposes of this chapter and each trust shall compute its own tax and shall apply the rates under s. 71.06 (1), (1m), (1n), or (1p),[✓] ~~or (1q)~~. (ending 2-17)

INS 16-13
P. 1008

SECTION 14. 71.64 (9) (b) (intro.) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.64 (9) (b) (intro.) The department shall from time to time adjust the withholding tables to reflect any changes in income tax rates, any applicable surtax or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~,[✓] and (2) resulting from statutory changes, except as follows:

SECTION 15. 71.67 (5) (a) of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.67 (5) (a) *Wager winnings*. A person holding a license to sponsor and manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount determined by multiplying the amount of the payment by the highest rate applicable

BILL

1 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~ if the amount of
2 the payment is more than \$1,000.

3 SECTION ~~16~~ 71.67 (5m) of the statutes, as affected by 2013 Wisconsin Act 20,
4 is amended to read:

5 71.67 (5m) WITHHOLDING FROM PAYMENTS TO PURCHASE ASSIGNMENT OF LOTTERY
6 PRIZE. A person that purchases an assignment of a lottery prize shall withhold from
7 the amount of any payment made to purchase the assignment the amount that is
8 determined by multiplying the amount of the payment by the highest rate applicable
9 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~. Subsection (5)
10 (b), (c) and (d), as it applies to the amounts withheld under sub. (5) (a), applies to the
11 amount withheld under this subsection. (end ins)

(END) af ins
16-13

Shovers, Marc

From: Walsh, Patrick
Sent: Tuesday, February 18, 2014 10:40 AM
To: Shovers, Marc
Subject: RE: Tax rate changes for LRB 3911

Please apply it retroactively to 2013 as it is in the current version.

Thanks.

Patrick Walsh
Legislative Aide
Representative Chris Taylor
(608) 266-5343

From: Shovers, Marc
Sent: Monday, February 17, 2014 4:17 PM
To: Walsh, Patrick
Subject: RE: Tax rate changes for LRB 3911

Hi Patrick:

I received your voicemail from earlier today. I haven't gotten to this yet, but I should be able to get to it this week, depending on what's needed for the floor.

Did you want these new rates and brackets to first apply to taxable year 2014, or retroactively to 2013 as is the case in the current version of the bill. Thanks.

Marc

From: Walsh, Patrick
Sent: Thursday, January 30, 2014 11:51 AM
To: Shovers, Marc
Subject: Tax rate changes for LRB 3911

Mark, attached are the tax rate changes we discussed on the phone.

Thank you.

Patrick Walsh
Legislative Aide
Representative Chris Taylor
(608) 266-5343

M

Filing Status	Taxable Income (tax year 2012)		Tax Rate
	At Least	But Less Than	
Single, Head of House Hold	\$0	\$10,570	4.0%
	\$10,570	\$21,130	5.84%
	\$21,130	\$158,500	6.27%
	\$158,500	\$232,660	6.75%
	\$232,660	and over	7.75%
Married, Filing Jointly	\$0	\$14,090	4.0%
	\$14,090	\$28,180	5.84%
	\$28,180	\$211,330	6.27%
	\$211,210	\$310,210	6.75%
	\$310,000	and over	7.75%
Married, Filing Separately	\$0	\$7,040	4.0%
	\$7,040	\$14,090	5.84%
	\$14,090	\$105,660	6.27%
	\$105,660	\$155,110	6.75%
	\$155,110	and over	7.75%

The taxable incomes do not reflect indexing for inflation for the 2013 tax year.



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-3911/1
MES&JK:jld:rs

RMB

2013 BILL

*WANTED:
Monday*

repeal

✓

1 AN ACT *to repeal* 71.05 (6) (a) 25., 71.06 (1q), 71.06 (2) (i), 71.06 (2) (j), 71.07 (5n),
2 71.07 (9e) (aj), 71.10 (4) (cr), 71.21 (4) (b), 71.255 (6) (bm), 71.26 (2) (a) 11., 71.26
3 (4) (b), 71.28 (5n), 71.30 (3) (dn), 71.34 (1k) (m), 71.45 (4) (b), 71.54 (1) (g) and
4 71.54 (2) (b) 4.; *to renumber and amend* 71.26 (4) (a) and 71.45 (4) (a); *to*
5 *amend* 71.01 (14), 71.03 (2) (a) 1., 71.05 (6) (b) 9., 71.05 (6) (b) 9m., 71.05 (6) (b)
6 25., 71.05 (6) (b) 47. b., 71.05 (6) (b) 47. c., 71.05 (8) (b), 71.05 (23) (b) 1., 71.05
7 (25) (b), 71.06 (1p) (intro.), 71.06 (1p) (e), 71.06 (2) (g) (intro.), 71.06 (2) (g) 5.,
8 71.06 (2) (h) (intro.), 71.06 (2) (h) 5., 71.06 (2e) (a), 71.06 (2e) (b), 71.06 (2m),
9 71.06 (2s) (d), 71.07 (9e) (af) (intro.), 71.09 (11) (f), 71.125 (1), 71.125 (2), 71.17
10 (6), 71.255 (2m) (d), 71.255 (6) (a), 71.36 (1m) (a), 71.54 (1) (f) (intro.), 71.54 (2)
11 (b) 3., 71.54 (2m), 71.64 (9) (b) (intro.), 71.67 (5) (a) and 71.67 (5m); and *to*
12 *create* 71.05 (23) (be), 71.06 (1p) (f), 71.06 (2) (g) 6. and 71.06 (2) (h) 6. of the
13 statutes; *relating to:* *reducing and* *increasing the* *individual income tax rates and*
14 *expanding the number of brackets to what existed before the enactment of 2013*

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1 Wisconsin Act 20, ~~creating a new individual income tax upper bracket,~~
2 disregarding a taxpayer's election to include another in its combined group,
3 disallowing certain carry-forward amounts for combined reporting purposes,
4 repealing the income and franchise tax credit for qualified production activities
5 income, repealing the changes made to the earned income tax credit in 2011
6 Wisconsin Act 32, increasing the personal exemption for certain individuals,
7 restoring indexing provisions to the homestead tax credit, and eliminating the
8 individual income tax exclusion for long-term capital gains other than for farm
9 assets.

Analysis by the Legislative Reference Bureau

Combined reporting

Under current law, a taxpayer may elect to include in its combined group, for income and franchise tax reporting purposes, every corporation in its commonly controlled group, regardless of whether such corporations are engaged in the same unitary business of the taxpayer. Under current law, the Department of Revenue (DOR) may not disallow such an election, or disregard its effect. Under this bill, if DOR determines that such an election has the effect of tax avoidance, DOR must disregard the election's tax effect or disallow the election.

Under current law, for each taxable year that a corporation that is a member of a combined group has net business loss carry-forward from a taxable year beginning before January 1, 2009, the corporation may, for 20 taxable years, use up to 5 percent of the net business loss carry-forward to offset the income of all other members of the combined group. The bill eliminates this provision.

Qualified production activities income credit

Under the federal Internal Revenue Code, a taxpayer may claim a deduction equal to 9 percent of the taxpayer's qualified production activities income in the taxable year or 9 percent of the taxpayer's total taxable income, whichever is less. For federal tax purposes, qualified production activities income is, generally, the amount of the taxpayer's domestic production gross receipts that exceed the sum of the cost of goods sold and other expenses, losses, or deductions. Domestic production gross receipts are, generally, gross receipts derived from property that was manufactured, produced, grown, or extracted in the United States.

Under current law, an individual taxpayer may claim a state income tax credit equal to the taxpayer's qualified production activities income derived from manufacturing property and agricultural property, multiplied by a certain percentage. A corporation or insurer may claim a state income and franchise tax

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credit equal to the lesser of its taxable income apportioned to this state or its qualified production activities income derived from manufacturing property or agricultural property located in this state, multiplied by a certain percentage. The percentage of qualified production activities income that a taxpayer may claim as a credit is 1.875 percent for 2013, 3.75 percent for 2014, 5.526 percent for 2015, and 7.5 percent for 2016 and for each year thereafter.

The bill eliminates the tax credit for qualified production activities income.

Changes to rates and brackets

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.40 percent of taxable income; the rate for the second bracket is 5.84 percent; the rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from \$0 to \$7,500; taxable income exceeding \$7,500 but not exceeding \$15,000; taxable income exceeding \$15,000 but not exceeding \$225,000; and taxable income exceeding \$225,000. This rate and bracket structure first applies to taxable year 2013, and was enacted in 2013 Wisconsin Act 20, the state budget bill.

This bill repeals the changes made to the rates and brackets in 2013 Wisconsin Act 20 and, for taxable years 2013 and thereafter, ^{restores the} ~~restores the~~ ^{restores the} rates and brackets that existed before the budget bill was enacted. Under the former law, ^{and this bill} which will take effect retroactively to taxable year 2013 once the bill is enacted, there are five income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under former law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.60 percent of taxable income; the rate for the second bracket is 6.15 percent; the rate for the third bracket is 6.50 percent; the rate for the fourth bracket is 6.75 percent; and the rate for the highest bracket is 7.75 percent. ^{three} ~~This bill lowers the rates of taxation for the lowest~~

With regard to taxable year 2012, before indexing for inflation for 2013, for single individuals, certain fiduciaries, and heads of households, for example, the lowest bracket applies to taxable income of over \$0 up to \$10,570; the second bracket applies to taxable income over \$10,570 up to \$20,360; the third bracket applies to taxable income over \$20,360 up to \$158,500; the fourth bracket applies to taxable income over \$158,500 up to \$232,660; and the fifth, or top, bracket applies to taxable income over \$232,660.

Upper income tax bracket

~~For taxable year 2013 and thereafter, this bill creates a sixth bracket with a taxation rate of 8.75 percent. For single individuals, certain fiduciaries, and heads of households, this bracket applies to taxable income exceeding \$1,000,000. For married persons, this bracket applies to taxable income exceeding \$1,000,000 for joint filers and \$500,000 for separate filers. This bracket is indexed for inflation.~~

brackets to 4.0 percent, 5.84 percent, and 6.27 percent. ✓

BILL***Personal exemptions***

Under current law, an individual income tax personal exemption exists in the amount of \$700 for each taxpayer who is required to file an income tax return and \$700 for the taxpayer's spouse, except if the spouse is filing separately or as a head of household. A taxpayer may also claim a \$700 exemption for each dependent for whom he or she is entitled to claim an exemption under the Internal Revenue Code. In general, an additional exemption of \$250 may be claimed by a taxpayer, and spouse, who has reached the age of 65 before the close of the taxable year to which his or her tax return relates.

This bill increases the personal exemption amount for certain taxpayers starting with taxable year 2014. Under the bill, if a single individual has Wisconsin adjusted gross income (WAGI) of less than \$12,000, his or her personal exemption is \$4,310. The personal exemption amount for such an individual phases down to approximately \$700 as his or her WAGI increases from \$12,000 to the maximum income threshold of \$60,000. If such an individual's WAGI is more than the maximum income threshold, the individual calculates his or her exemption under current law.

Similarly under the bill, the personal exemption amount for a head of household, a married couple filing jointly, and a married individual filing separately are all increased to \$4,310 per person for those whose WAGI, or joint WAGI in the case of a married couple filing jointly, is less than \$14,000 (head of household), \$20,000 (married joint), or \$10,000 (married separate). The exemption amount phases down to approximately \$700 (\$1,400 for a married couple filing jointly) as WAGI increases to the maximum income threshold, which is \$70,000 (head of household), \$100,000 (married joint), or \$50,000 (married separate). If a taxpayer's WAGI is more than the maximum income threshold, the taxpayer calculates his or her, or the couple's, exemption under current law. The bill does not make any change to the current law exemption provisions for dependents or individuals who are age 65 or above.

Earned income tax credit

Under current law, as created in 2011 Wisconsin Act 32, the earned income tax credit (EITC) is reduced for claimants with two or more qualifying children. The bill repeals those provisions and restores former law. Under the bill, the EITC, as a percentage of the federal credit, would be 4 percent for claimants with one qualifying child, 14 percent for claimants with two qualifying children, and 43 percent for claimants with three or more qualifying children.

Homestead tax credit

Under current law, as created in 2011 Wisconsin Act 32, the homestead tax credit formula factors (maximum income, maximum property taxes, and income threshold) are not indexed for inflation after 2010. The bill repeals those provisions and restores former law. Under the bill, the homestead tax credit formula factors would be indexed for inflation for 2013 and beyond.

BILL***Exclusion of capital gains***

Under current law, there is an income tax exclusion for individuals, fiduciaries, members of limited liability companies and partnerships, and shareholders of tax-option corporations for 30 percent of the net long-term capital gains realized from the sale of assets held more than one year and the sale of all assets acquired from a decedent, and an exclusion for 60 percent of such gains realized from the sale of farm assets held more than one year and the sale of all farm assets acquired from a decedent.

Under this bill, the exclusion of 30 percent of such net long-term capital gains, and all assets acquired from a decedent, does not apply to taxable years beginning after December 31, 2013. The bill does not affect the exclusion of the gains realized from the sale of farm assets held more than one year and the sale of farm assets acquired from a decedent.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.01 (14) of the statutes is amended to read:

2 71.01 (14) "Wisconsin net operating loss" of persons other than corporations
3 means "federal net operating loss" adjusted as prescribed in s. 71.05 (6) (a) and (b),
4 (7) to (12) and (19) to (21), ~~except s. 71.05 (6) (b) 9.~~, except that no deductions
5 allowable on schedule A for federal income tax purposes are allowable.

6 **SECTION 2.** 71.03 (2) (a) 1. of the statutes is amended to read:

7 71.03 (2) (a) 1. Every individual domiciled in this state during the entire
8 taxable year who has a gross income at or above a threshold amount which shall be
9 determined annually by the department of revenue. The threshold amounts shall
10 be determined for categories of individuals based on filing status and age, and shall
11 include categories for single individuals; individuals who file as a head of household;
12 married couples who file jointly; and married persons who file separately. The

BILL**SECTION 2**

1 threshold amounts shall also be determined by taking into account the exemption
2 amounts in s. 71.05 (23) (b) 1. and 3. and (be). The department of revenue shall
3 establish a threshold amount for each category of individual at an amount at which
4 no individual in that category whose gross income is below that amount has a state
5 income tax liability.

6 **SECTION 3.** 71.05 (6) (a) 25. of the statutes is repealed.

7 **SECTION 4.** 71.05 (6) (b) 9. of the statutes is amended to read:

8 71.05 (6) (b) 9. On assets held more than one year and on all assets acquired
9 from a decedent, 30 percent of the capital gain as computed under the internal
10 revenue code, not including capital gains for which the federal tax treatment is
11 determined under section 406 of P.L. 99–514; not including amounts treated as
12 ordinary income for federal income tax purposes because of the recapture of
13 depreciation or any other reason; and not including amounts treated as capital gain
14 for federal income tax purposes from the sale or exchange of a lottery prize. For
15 purposes of this subdivision, the capital gains and capital losses for all assets shall
16 be netted before application of the percentage. This subdivision does not apply to
17 taxable years that begin after December 31, 2013.

18 **SECTION 5.** 71.05 (6) (b) 9m. of the statutes is amended to read:

19 71.05 (6) (b) 9m. On farm assets held more than one year and on all farm assets
20 acquired from a decedent, to the extent that they are not subtracted under subd. 9.
21 ~~or~~ 10., 60 percent of the capital gain as computed under the Internal Revenue Code,
22 not including capital gains for which the federal tax treatment is determined under
23 section 406 of P.L. 99–514; not including amounts treated as ordinary income for
24 federal income tax purposes because of the recapture of depreciation or any other
25 reason; and not including amounts treated as capital gain for federal income tax

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1 purposes from the sale or exchange of a lottery prize. In this subdivision, “farm
2 assets” means livestock, farm equipment, farm real property, and farm depreciable
3 property. For purposes of this subdivision, the capital gains and capital losses for all
4 assets shall be netted before application of the percentage.

5 **SECTION 6.** 71.05 (6) (b) 25. of the statutes is amended to read:

6 71.05 (6) (b) 25. All gains that are not excluded from taxation under subd. ~~9.~~,
7 ~~on business assets or 9m.~~ on assets used in farming, including shares in a corporation
8 or trust that meets the standards under s. 182.001 (1), or both, held more than one
9 year, that are sold or otherwise disposed of to persons who are related to the seller
10 or transferor by blood, marriage or adoption within the 3rd degree of kinship as
11 determined under s. 990.001 (16), as computed under the Internal Revenue Code, not
12 including amounts treated as ordinary income for federal income tax purposes
13 because of the recapture of depreciation or any other reason.

14 **SECTION 7.** 71.05 (6) (b) 47. [✓]b. of the statutes, as affected by 2013 Wisconsin Act
15 20, is amended to read:

16 71.05 (6) (b) 47. b. With respect to partners and members of limited liability
17 companies, for taxable years beginning after December 31, 2010, and before January
18 1, 2014, for 2 consecutive taxable years beginning with the taxable year in which the
19 partnership’s or limited liability company’s business locates to this state from
20 another state or another country and begins doing business in this state, as defined
21 in s. 71.22 (1r), and subject to the limitations provided under subd. 47. d. and e., the
22 partner’s or member’s distributive share of taxable income as calculated under
23 section 703 of the Internal Revenue Code; plus the items of income and gain under
24 section 702 of the Internal Revenue Code, including taxable state and municipal
25 bond interest and excluding nontaxable interest income or dividend income from

BILL**SECTION 7**

1 federal government obligations; minus the items of loss and deduction under section
2 ~~756702~~ 702 of the Internal Revenue Code, except items that are not deductible under
3 s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal
4 Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL),
5 (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t),
6 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), and (8r); and plus or minus, as
7 appropriate, transitional adjustments, depreciation differences, and basis
8 differences under s. 71.05 (13), (15), (16), (17), and (19), multiplied by the
9 apportionment fraction determined in s. 71.04 (4) and subject to s. 71.04 (7) or by
10 separate accounting. No amounts subtracted under this subd. 47. b. may be included
11 in the modification under par. (b) ~~9.~~ ^{9m.}

12 **SECTION 8.** 71.05 (6) (b) 47. [✓]c. of the statutes, as affected by 2013 Wisconsin Act
13 20, is amended to read:

14 71.05 (6) (b) 47. c. With respect to shareholders of a tax-option corporation, for
15 taxable years beginning after December 31, 2010, and before January 1, 2014, for 2
16 consecutive taxable years beginning with the taxable year in which the tax-option
17 corporation's business locates to this state from another state or another country and
18 begins doing business in this state, as defined in s. 71.22 (1r), and subject to the
19 limitations provided under subd. 47. d. and e., the shareholder's distributive share
20 of the entity's net income or loss as determined under this chapter, including interest
21 income from federal, state, and municipal government obligations, multiplied by the
22 apportionment fraction determined in s. 71.25 (6m) and subject to s. 71.25 (9) or by
23 separate accounting. No amounts subtracted under this subdivision may be
24 included in the modification under par. (b) ~~9.~~ ^{9m.}

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1 **SECTION 9.** 71.05 (8) (b)^x of the statutes, as affected by 2013 Wisconsin Act 20,
2 is amended to read:

3 71.05 (8) (b) A Wisconsin net operating loss may be carried back against
4 Wisconsin taxable income of the previous 2 years and then carried forward against
5 Wisconsin taxable incomes of the next 20 taxable years, if the taxpayer was subject
6 to taxation under this chapter in the taxable year in which the loss was sustained,
7 to the extent not offset against other income of the year of loss and to the extent not
8 offset against Wisconsin modified taxable income of the 2 years preceding the loss
9 and of any year between the loss year and the taxable year for which the loss
10 carry-forward is claimed. In this paragraph, “Wisconsin modified taxable income”
11 means Wisconsin taxable income with the following exceptions: a net operating loss
12 deduction or offset for the loss year or any taxable year before or thereafter is not
13 allowed, the deduction for long-term capital gains under subs. (6) (b) ~~9. and 9m.~~ and
14 (25) is not allowed, the amount deductible for losses from sales or exchanges of
15 capital assets may not exceed the amount includable in income for gains from sales
16 or exchanges of capital assets and “Wisconsin modified taxable income” may not be
17 less than zero.

18 **SECTION 10.** 71.05 (23) (b) 1. of the statutes is amended to read:

19 71.05 (23) (b) 1. A personal exemption of \$700 if the taxpayer is required to file
20 a return under s. 71.03 (2) (a) 1. or 2. and \$700 for the taxpayer’s spouse, except if
21 the spouse is filing separately or as a head of household. The exemption under this
22 subdivision may not be claimed by a taxpayer who is eligible for, and claims, the
23 exemption under par. (be).

24 **SECTION 11.** 71.05 (23) (be) of the statutes is created to read:

BILL**SECTION 11**

1 71.05 (23) (be) For taxable years beginning after December 31, 2013, a personal
2 exemption calculated as follows if the taxpayer is required to file a return under s.
3 71.03 (2) (a) 1. or 2.:

4 1. For a single individual who has a Wisconsin adjusted gross income of less
5 than \$12,000, an exemption of \$4,310. For a single individual who has a Wisconsin
6 adjusted gross income of at least \$12,000, the exemption is the amount obtained by
7 subtracting from \$4,310 7.52 percent of Wisconsin adjusted gross income in excess
8 of \$12,000 but not less than \$0, except that if the single individual's Wisconsin
9 adjusted gross income is more than \$60,000, the individual may not claim the
10 exemption under this paragraph but the individual may claim the exemption under
11 par. (b).

12 2. For a head of household who has a Wisconsin adjusted gross income of less
13 than \$14,000, an exemption of \$4,310. For a head of household who has a Wisconsin
14 adjusted gross income of at least \$14,000, the exemption is the amount obtained by
15 subtracting from \$4,310 6.45 percent of Wisconsin adjusted gross income in excess
16 of \$14,000 but not less than \$0, except that if the head of household's Wisconsin
17 adjusted gross income is more than \$70,000, the individual may not claim the
18 exemption under this paragraph but the head of household may claim the exemption
19 under par. (b).

20 3. For a married couple filing jointly that has an aggregate Wisconsin adjusted
21 gross income of less than \$20,000, an exemption of \$4,310 for each spouse. For a
22 married couple filing jointly that has an aggregate Wisconsin adjusted gross income
23 of at least \$20,000, the exemption is the amount obtained by subtracting, for each
24 spouse, from \$4,310 4.51 percent of aggregate Wisconsin adjusted gross income in
25 excess of \$20,000 but not less than \$0, except that if the married couple's Wisconsin

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1 aggregate adjusted gross income is more than \$100,000, the couple may not claim the
2 exemption under this paragraph but the married couple may claim the exemption
3 under par. (b).

4 4. For a married individual filing separately who has a Wisconsin adjusted
5 gross income of less than \$10,000, an exemption of \$4,310. For a married individual
6 filing separately who has a Wisconsin adjusted gross income of at least \$10,000, the
7 exemption is the amount obtained by subtracting from \$4,310 9.03 percent of
8 Wisconsin adjusted gross income in excess of \$10,000 but not less than \$0, except that
9 if the individual's Wisconsin adjusted gross income is more than \$50,000, the
10 individual may not claim the exemption under this paragraph but the individual
11 may claim the exemption under par. (b).

12 **SECTION 12.** 71.05 (25) (b) [✓] of the statutes, as affected by 2013 Wisconsin Act 20,
13 is amended to read:

14 71.05 (25) (b) For taxable years beginning after December 31, 2015, for an
15 investment in a qualified Wisconsin business made after December 31, 2010, and
16 held for at least 5 uninterrupted years, a claimant may subtract from federal
17 adjusted gross income the amount of the claimant's qualifying gain in the year to
18 which the claim relates, to the extent that it is not subtracted under sub. (6) (b) ~~9~~.
19 or 9m.

20 **SECTION 13.** 71.06 (1p) (intro.) [✓] of the statutes, as affected by 2013 Wisconsin
21 Act 20, is amended to read:

22 71.06 (1p) FIDUCIARIES, SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; ~~2001 TO~~
23 ~~2012~~ AFTER 2000. (intro.) The tax to be assessed, levied and collected upon the taxable
24 incomes of all fiduciaries, except fiduciaries of nuclear decommissioning trust or
25 reserve funds, and single individuals and heads of households shall be computed at

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SECTION 13

1 the following rates for taxable years beginning after December 31, 2000, and before
2 January 1, 2013:

3 **SECTION 14.** 71.06 (1p) (e) of the statutes is amended to read:

4 71.06 (1p) (e) On all taxable income exceeding \$225,000 but not exceeding
5 \$1,000,000, 7.75 percent.

6 **SECTION 15.** 71.06 (1p) (f) of the statutes is created to read:

7 71.06 (1p) (f) On all taxable income exceeding \$1,000,000, 8.75 percent.

8 **SECTION 16.** 71.06 (1q) of the statutes, as created by 2013 Wisconsin Act 20, is
9 repealed.

10 **SECTION 17.** 71.06 (2) (g) (intro.) of the statutes, as affected by 2013 Wisconsin
11 Act 20, is amended to read:

12 71.06 (2) (g) (intro.) For joint returns, for taxable years beginning after
13 December 31, 2000, and before January 1, 2013:

14 **SECTION 18.** 71.06 (2) (g) 5. of the statutes is amended to read:

15 71.06 (2) (g) 5. On all taxable income exceeding \$300,000 but not exceeding
16 \$1,000,000, 7.75 percent.

17 **SECTION 19.** 71.06 (2) (g) 6. of the statutes is created to read:

18 71.06 (2) (g) 6. On all taxable income exceeding \$1,000,000, 8.75 percent.

19 **SECTION 20.** 71.06 (2) (h) (intro.) of the statutes, as affected by 2013 Wisconsin
20 Act 20, is amended to read:

21 71.06 (2) (h) (intro.) For married persons filing separately, for taxable years
22 beginning after December 31, 2000, and before January 1, 2013:

23 **SECTION 21.** 71.06 (2) (h) 5. of the statutes is amended to read:

24 71.06 (2) (h) 5. On all taxable income exceeding \$150,000 but not exceeding
25 \$500,000, 7.75 percent.

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1 ~~SECTION 22. 71.06 (2) (h) 6. of the statutes is created to read:~~

2 ~~71.06 (2) (h) 6. On all taxable income exceeding \$500,000, 8.75 percent.~~

3 ~~SECTION 23. 71.06 (2) (i) of the statutes, as created by 2013 Wisconsin Act 20,~~
4 is repealed.

5 ~~SECTION 24. 71.06 (2) (j) of the statutes, as created by 2013 Wisconsin Act 20,~~
6 is repealed.

7 ~~SECTION 25. 71.06 (2e) (a) of the statutes, as affected by 2013 Wisconsin Act 20,~~
8 is amended to read:

9 71.06 (2e) (a) For taxable years beginning after December 31, 1998, and before
10 January 1, 2000, the maximum dollar amount in each tax bracket, and the
11 corresponding minimum dollar amount in the next bracket, under subs. (1m) and (2)
12 (c) and (d), and for taxable years beginning after December 31, 1999, the maximum
13 dollar amount in each tax bracket, and the corresponding minimum dollar amount
14 in the next bracket, under subs. (1n), (1p) (a) to (c), ~~(1q) (a) and (b)~~, and (2) (e), (f), (g)
15 1. to 3., and (h) 1. to 3., ~~(i) 1. and 2., and (j) 1. and 2.,~~ shall be increased each year by
16 a percentage equal to the percentage change between the U.S. consumer price index
17 for all urban consumers, U.S. city average, for the month of August of the previous
18 year and the U.S. consumer price index for all urban consumers, U.S. city average,
19 for the month of August 1997, as determined by the federal department of labor,
20 except that for taxable years beginning after December 31, 2000, and before January
21 1, 2002, the dollar amount in the top bracket under subs. (1p) (c) and (d), (2) (g) 3.
22 and 4. and (h) 3. and 4. shall be increased by a percentage equal to the percentage
23 change between the U.S. consumer price index for all urban consumers, U.S. city
24 average, for the month of August of the previous year and the U.S. consumer price
25 index for all urban consumers, U.S. city average, for the month of August 1999, as

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SECTION 25

1 determined by the federal department of labor, except that for taxable years
2 beginning after December 31, 2011, the adjustment may occur only if the resulting
3 amount is greater than the corresponding amount that was calculated for the
4 previous year.

5 **SECTION 26.** 71.06 (2e) (b) [✓] of the statutes, as affected by 2013 Wisconsin Act 20,
6 is amended to read:

7 71.06 (2e) (b) For taxable years beginning after December 31, 2009, the
8 maximum dollar amount in each tax bracket, and the corresponding minimum dollar
9 amount in the next bracket, under subs. (1p) (d), ~~(1q) (e), and (1r) (f)~~ and (2) (g) 4., and
10 ~~(1p) (e), (1q) (d), and (1r) (f)~~ and the dollar amount in the top bracket under
11 subs. (1p) ~~(e)~~ ^{Plain} (1q) ~~(d)~~ ^{Keep comma stricken} and (2) (g) ~~5, 6, and~~ (h) ~~5, (i) 4., and (j) 4. 6,~~ shall be
12 increased each year by a percentage equal to the percentage change between the U.S.
13 consumer price index for all urban consumers, U.S. city average, for the month of
14 August of the previous year and the U.S. consumer price index for all urban
15 consumers, U.S. city average, for the month of August 2008, as determined by the
16 federal department of labor, except that for taxable years beginning after December
17 31, 2011, the adjustment may occur only if the resulting amount is greater than the
18 corresponding amount that was calculated for the previous year.

19 **SECTION 27.** 71.06 (2m) [✓] of the statutes, as affected by 2013 Wisconsin Act 20,
20 is amended to read:

21 71.06 (2m) RATE CHANGES. If a rate under sub. (1), (1m), (1n), (1p), ~~(1q)~~, or (2)
22 changes during a taxable year, the taxpayer shall compute the tax for that taxable
23 year by the methods applicable to the federal income tax under section 15 of the
24 Internal Revenue Code.

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1 **SECTION 28.** 71.06 (2s) (d) of the statutes, as affected by 2013 Wisconsin Act 20,
2 is amended to read:

3 71.06 (2s) (d) For taxable years beginning after December 31, 2000, with
4 respect to nonresident individuals, including individuals changing their domicile
5 into or from this state, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g), and (h), ~~(i)~~,
6 ~~and (j)~~ shall be multiplied by a fraction, the numerator of which is Wisconsin adjusted
7 gross income and the denominator of which is federal adjusted gross income. In this
8 paragraph, for married persons filing separately “adjusted gross income” means the
9 separate adjusted gross income of each spouse, and for married persons filing jointly
10 “adjusted gross income” means the total adjusted gross income of both spouses. If
11 an individual and that individual’s spouse are not both domiciled in this state during
12 the entire taxable year, the tax brackets under subs. (1p), ~~(1q)~~, and (2) (g), and (h),
13 ~~(i)~~, ~~and (j)~~ on a joint return shall be multiplied by a fraction, the numerator of which
14 is their joint Wisconsin adjusted gross income and the denominator of which is their
15 joint federal adjusted gross income.

16 **SECTION 29.** 71.07 (5n) of the statutes, as affected by 2013 Wisconsin Act 54,
17 is repealed.

18 **SECTION 30.** 71.07 (9e) (af) (intro.) of the statutes is amended to read:

19 71.07 (9e) (af) (intro.) For taxable years beginning after December 31, 1995,
20 ~~and before January 1, 2011~~, any natural person may credit against the tax imposed
21 under s. 71.02 an amount equal to one of the following percentages of the federal
22 basic earned income credit for which the person is eligible for the taxable year under
23 section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

24 **SECTION 31.** 71.07 (9e) (aj) of the statutes is repealed.

25 **SECTION 32.** 71.09 (11) (f) of the statutes is amended to read:

BILL**SECTION 32**

71.09 (11) (f) The taxpayer has underpaid the taxpayer's estimated taxes due to the change in brackets under s. 71.06 (1p) (e) or (f) and (2) (g) 5. or 6. and (h) 5. or 6. This paragraph applies only in the first taxable year to which these bracket changes apply.

SECTION 33. 71.10 (4) (cr) of the statutes is repealed.

SECTION 34. 71.125 (1) ^x of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.125 (1) Except as provided in sub. (2), the tax imposed by this chapter on individuals and the rates under s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) shall apply to the Wisconsin taxable income of estates or trusts, except nuclear decommissioning trust or reserve funds, and that tax shall be paid by the fiduciary.

SECTION 35. 71.125 (2) ^x of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.125 (2) Each electing small business trust, as defined in section 1361 (e) (1) of the Internal Revenue Code, is subject to tax at the highest rate under s. 71.06 (1), (1m), (1n), or (1p), ~~or (1q)~~, whichever taxable year is applicable, on its income as computed under section 641 of the Internal Revenue Code, as modified by s. 71.05 (6) to (12), (19) and (20).

SECTION 36. 71.17 (6) ^x of the statutes, as affected by 2013 Wisconsin Act 20, is amended to read:

71.17 (6) FUNERAL TRUSTS. If a qualified funeral trust makes the election under section 685 of the Internal Revenue Code for federal income tax purposes, that election applies for purposes of this chapter and each trust shall compute its own tax and shall apply the rates under s. 71.06 (1), (1m), (1n), or (1p), ~~or (1q)~~.

SECTION 37. 71.21 (4) (b) of the statutes is repealed.

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1 **SECTION 38.** 71.255 (2m) (d) of the statutes is amended to read:

2 71.255 **(2m)** (d) The department ~~may not~~ shall disregard the tax effect of an
3 election under this subsection, or disallow the election, with respect to any controlled
4 group member or members for any year of the election period, if the department
5 determines that the election has the effect of tax avoidance.

6 **SECTION 39.** 71.255 (6) (a) of the statutes is amended to read:

7 71.255 **(6)** (a) Except as provided in pars. (b), ~~(bm)~~, and (c) no tax credit,
8 Wisconsin net business loss carry-forward, or other post-apportionment deduction
9 earned by one member of the combined group, but not fully used by or allowed to that
10 member, may be used in whole or in part by another member of the combined group
11 or applied in whole or in part against the total income of the combined group. A
12 member of a combined group may use a carry-forward of a credit, Wisconsin net
13 business loss carry-forward, or other post-apportionment deduction otherwise
14 allowable under s. 71.26 or 71.45, that was incurred by that same member in a
15 taxable year beginning before January 1, 2009.

16 **SECTION 40.** 71.255 (6) (bm) of the statutes is repealed.

17 **SECTION 41.** 71.26 (2) (a) 11. of the statutes is repealed.

18 **SECTION 42.** 71.26 (4) (a) of the statutes is renumbered 71.26 (4) and amended
19 to read:

20 71.26 **(4)** ~~Except as provided in par. (b), a~~ A corporation, except a tax-option
21 corporation or an insurer to which s. 71.45 (4) applies, may offset against its
22 Wisconsin net business income any Wisconsin net business loss sustained in any of
23 the next 15 preceding taxable years, if the corporation was subject to taxation under
24 this chapter in the taxable year in which the loss was sustained, to the extent not
25 offset by other items of Wisconsin income in the loss year and by Wisconsin net

BILL**SECTION 42**

1 business income of any year between the loss year and the taxable year for which an
2 offset is claimed. For purposes of this subsection Wisconsin net business income or
3 loss shall consist of all the income attributable to the operation of a trade or business
4 in this state, less the business expenses allowed as deductions in computing net
5 income. The Wisconsin net business income or loss of corporations engaged in
6 business within and without the state shall be determined under s. 71.25 (6) and (10)
7 to (12). Nonapportionable losses having a Wisconsin situs under s. 71.25 (5) (b) shall
8 be included in Wisconsin net business loss; and nonapportionable income having a
9 Wisconsin situs under s. 71.25 (5) (b), whether taxable or exempt, shall be included
10 in other items of Wisconsin income and Wisconsin net business income for purposes
11 of this subsection.

12 **SECTION 43.** 71.26 (4) (b) of the statutes is repealed.

13 **SECTION 44.** 71.28 (5n) of the statutes is repealed.

14 **SECTION 45.** 71.30 (3) (dn) of the statutes is repealed.

15 **SECTION 46.** 71.34 (1k) (m) of the statutes is repealed.

16 **SECTION 47.** 71.36 (1m) (a) of the statutes is amended to read:

17 71.36 (1m) (a) A tax-option corporation may deduct from its net income all
18 amounts included in the Wisconsin adjusted gross income of its shareholders, the
19 ~~capital gain deduction under s. 71.05 (6) (b) 9.~~ and all amounts not taxable to
20 nonresident shareholders under ss. 71.04 (1) and (4) to (9) and 71.362.

21 **SECTION 48.** 71.45 (4) (a) of the statutes is renumbered 71.45 (4) and amended
22 to read:

23 71.45 (4) ~~Except as provided in par. (b), insurers~~ Insurers computing tax under
24 this subchapter may subtract from Wisconsin net income any Wisconsin net business
25 loss sustained in any of the next 15 preceding taxable years to the extent not offset

as affected by 2013 Wisconsin
Act 54,

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1 by Wisconsin net business income of any year between the loss year and the taxable
2 year for which an offset is claimed and computed without regard to sub. (2) (a) 8. and
3 9. and this subsection and limited to the amount of net income, but no loss incurred
4 for a taxable year before taxable year 1987 by a nonprofit service plan of sickness care
5 under ch. 148, or dental care under s. 447.13 may be treated as a net business loss
6 of the successor service insurer under ch. 613 operating by virtue of s. 148.03 or
7 447.13.

8 **SECTION 49.** 71.45 (4) (b) of the statutes is repealed.

9 **SECTION 50.** 71.54 (1) (f) (intro.) of the statutes is amended to read:

10 71.54 (1) (f) ~~2001 to 2011~~ and thereafter. (intro.) Subject to sub. (2m), the
11 amount of any claim filed in 2001 ~~to 2011~~ and thereafter and based on property taxes
12 accrued or rent constituting property taxes accrued during the previous year is
13 limited as follows:

14 **SECTION 51.** 71.54 (1) (g) of the statutes is repealed.

15 **SECTION 52.** 71.54 (2) (b) 3. of the statutes is amended to read:

16 71.54 (2) (b) 3. Subject to sub. (2m), in calendar ~~years 1990 to 2010~~ year 1990
17 or any subsequent calendar year, \$1,450.

18 **SECTION 53.** 71.54 (2) (b) 4. of the statutes is repealed.

19 **SECTION 54.** 71.54 (2m) of the statutes is amended to read:

20 71.54 (2m) INDEXING FOR INFLATION; 2010 AND THEREAFTER. (a) For calendar years
21 beginning after December 31, 2009, ~~and before January 1, 2011~~, the dollar amounts
22 of the threshold income under sub. (1) (f) 1. and 2., the maximum household income
23 under sub. (1) (f) 3. and the maximum property taxes under sub. (2) (b) 3. shall be
24 increased each year by a percentage equal to the percentage change between the U.S.
25 consumer price index for all urban consumers, U.S. city average, for the 12-month

BILL**SECTION 54**

1 average of the U.S. consumer price index for the month of August of the year before
2 the previous year through the month of July of the previous year and the U.S.
3 consumer price index for all urban consumers, U.S. city average, for the 12-month
4 average of the U.S. consumer price index for August 2007 through July 2008, as
5 determined by the federal department of labor, except that the adjustment may occur
6 only if the percentage is a positive number. Each amount that is revised under this
7 paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is
8 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount
9 shall be increased to the next higher multiple of \$10. The department of revenue
10 shall annually adjust the changes in dollar amounts required under this paragraph
11 and incorporate the changes into the income tax forms and instructions.

12 (b) The department of revenue shall annually adjust the slope under sub. (1)
13 (f) 2. such that, as a claimant's income increases from the threshold income as
14 calculated under par. (a), to an amount that exceeds the maximum household income
15 as calculated under par. (a), the credit that may be claimed is reduced to \$0 and the
16 department of revenue shall incorporate the changes into the income tax forms and
17 instructions.

18 **SECTION 55.** 71.64 (9) (b) (intro.)[✓] of the statutes, as affected by 2013 Wisconsin
19 Act 20, is amended to read:

20 71.64 (9) (b) (intro.) The department shall from time to time adjust the
21 withholding tables to reflect any changes in income tax rates, any applicable surtax
22 or any changes in dollar amounts in s. 71.06 (1), (1m), (1n), (1p), ~~(1q)~~, and (2) resulting
23 from statutory changes, except as follows:

24 **SECTION 56.** 71.67 (5) (a)[✓] of the statutes, as affected by 2013 Wisconsin Act 20,
25 is amended to read:

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1 71.67 (5) (a) *Wager winnings*. A person holding a license to sponsor and
2 manage races under s. 562.05 (1) (b) or (c) shall withhold from the amount of any
3 payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount
4 determined by multiplying the amount of the payment by the highest rate applicable
5 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~ if the amount of
6 the payment is more than \$1,000.

7 **SECTION 57.** 71.67 (5m)^x of the statutes, as affected by 2013 Wisconsin Act 20,
8 is amended to read:

9 **71.67 (5m) WITHHOLDING FROM PAYMENTS TO PURCHASE ASSIGNMENT OF LOTTERY**
10 **PRIZE.** A person that purchases an assignment of a lottery prize shall withhold from
11 the amount of any payment made to purchase the assignment the amount that is
12 determined by multiplying the amount of the payment by the highest rate applicable
13 to individuals under s. 71.06 (1) (a) to (c), (1m), (1n), or (1p), ~~or (1q)~~. Subsection (5)
14 (b), (c) and (d), as it applies to the amounts withheld under sub. (5) (a), applies to the
15 amount withheld under this subsection.

16 **SECTION 58. Initial applicability.**

17 (1) The treatment of section 71.255 (2m) (d) of the statutes first applies
18 retroactively to taxable years beginning on January 1, 2009.

19 (2) The treatment of sections 71.01 (14), 71.05 (6) (a) 25. and (b) 9m., 25., and
20 47. b. and c., (8) (b), and (25) (b) (intro.), 71.07 (5n), 71.09 (11) (f), 71.10 (4) (cr), 71.21
21 (4) (b), 71.26 (2) (a) 11., 71.28 (5n), 71.30 (3) (dn), 71.34 (1k) (m), and 71.36 (1m) (a)
22 of the statutes first applies to taxable years beginning on January 1, 2014.

23 (3) The treatment of section 71.06 (1p) (intro.), ^{✓ (a), (b), and (c)} ~~(a), (b), and (c)~~, ^{✓ 1, 2, and 3.} ~~1, 2, and 3.~~, ^{✓ 1, 2, and 3.} ~~1, 2, and 3.~~ (2) (g) (intro.),
24 ^{✓ 5., and 6.} ~~5., and 6.~~ (h) (intro.), ~~1, 2, and 3.~~ (i), and (j), and (2e) (a) and (b) of the statutes first
25 applies retroactively to taxable years beginning on January 1, 2013.

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SECTION 59

1 **SECTION 59. Effective dates.** This act takes effect on the day after publication,
2 except as follows:

(1) The treatment of section 71.255 (2m) (d) of the statutes and SECTION 58 (1) of this act take effect retroactively to January 1, 2009.

5 (END)

**2013-2014 DRAFTING INSERT
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LRB-3911/2ins
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INS 12-3

SECTION 1. 71.06 (1p) (a) of the statutes is amended to read:

71.06 (1p) (a) On all taxable income from \$0 to \$7,500, ~~4.6%~~ 4.40 percent.

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

SECTION 2. 71.06 (1p) (b) of the statutes is amended to read:

71.06 (1p) (b) On all taxable income exceeding \$7,500 but not exceeding \$15,000, ~~6.15%~~ 5.84 percent.

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

SECTION 3. 71.06 (1p) (c) of the statutes is amended to read:

71.06 (1p) (c) On all taxable income exceeding \$15,000 but not exceeding \$112,500, ~~6.5%~~ 6.27 percent.

(end ins)

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

INS 12-13

SECTION 4. 71.06 (2) (g) 1. of the statutes is amended to read:

71.06 (2) (g) 1. On all taxable income from \$0 to \$10,000, ~~4.6%~~ 4.0 percent.

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

SECTION 5. 71.06 (2) (g) 2. of the statutes is amended to read:

71.06 (2) (g) 2. On all taxable income exceeding \$10,000 but not exceeding \$20,000, ~~6.15%~~ 5.84 percent.

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

SECTION 6. 71.06 (2) (g) 3. of the statutes is amended to read:

71.06 (2) (g) 3. On all taxable income exceeding \$20,000 but not exceeding \$150,000, ~~6.5%~~ 6.27 percent.

(end ins)

SECTION 7. 71.06 (2) (h) 1. of the statutes is amended to read:

71.06 (2) (h) 1. On all taxable income from \$0 to \$5,000, ~~4.6%~~ 4.0 percent.

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

SECTION 8. 71.06 (2) (h) 2. of the statutes is amended to read:



Insert 12-23

INS 12-23
Cont

LRB-3911/2ins
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71.06 (2) (h) 2. On all taxable income exceeding \$5,000 but not exceeding \$10,000, ~~6.15%~~ 5.84 percent. ✓

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; ~~2001~~ a. 16; 2009 a. 28; 2013 a. 20.

SECTION 9. 71.06 (2) (h) 3. of the statutes is amended to read:

71.06 (2) (h) 3. On all taxable income exceeding \$10,000 but not exceeding \$75,000, ~~6.5%~~ 6.27 percent. ✓

History: 1987 a. 312; 1989 a. 31; 1993 a. 16; 1997 a. 27, 41, 237; 1999 a. 9; 2001 a. 16; 2009 a. 28; 2013 a. 20.

(end ins)

Rose, Stefanie

From: Walsh, Patrick
Sent: Wednesday, February 26, 2014 12:12 PM
To: LRB.Legal
Subject: Draft Review: LRB -3911/2 Topic: Combined reporting, earned income and homestead tax credits, domestic production activities credit, capital gains, personal exemptions, repeal Act 20 individual income tax rates and brackets changes

Please Jacket LRB -3911/2 for the ASSEMBLY.